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May 17, 2005

Arizona Corporation Commission
ATTN: Docket Control Re: AEPCO 01773A-04-0528 and
SWTCO E-04100A-04-0527
1200 West Washington St.
Phoenix, AZ 85007

E-04100A-04-0527
E-01773A-04-0528

Dear ACC,

We are writing to express our sincere concern over the proposed rate increase under consideration by the ACC. What we have been told by our electric distributor is that: "AEPCO first applied for a 9.86% rate increase, amended it to 12.57% in late 2004, and then negotiated with the ACC the new proposed rate increase of 15.44%. This translates to an increase of over \$5.3 million dollars to our SSVEC members. The rate increase will translate to approximately a 9% increase on our member's monthly bills".

We believe the rate increase and the cost of power in our region is very high relative to those we compete with in the mid-western USA. As a company we have long-term agreements and because we compete in the commodity chemicals arena, we find it difficult and impossible to pass on costs, especially of this magnitude. At Apache Nitrogen Products, Inc. we do not have a choice of electric service providers, and therefore cannot seek competitive pricing. In 2004 we consumed 11 million KWH of electricity, and in 2005 we project this demand will be 12 million KWH.

The proposed increase will translate to roughly \$1 per ton of product produced and just this single increase in electric rate will negatively affect our profitability by 5%. Therefore, we would ask that you consider an increase that is considerably more modest, and that the rate be phased in over a longer period.

Regards,

Robert E. Cashdollar, Jr.
President & CEO

Arizona Corporation Commission

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